

## Message Text

SECRET

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71

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ADP-00 CIAE-00 DODE-00 PM-07 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 SCEM-02 INT-08 TRSE-00 EB-11 COME-00 RSR-01

/134 W

----- 077332

R 261310 Z MAY 73

FM USINT BAGHDAD

TO SECSTATE WASHDC 364

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

S E C R E T BAGHDAD 296

E. O. 11652: GDS

TAGS: ENRG, IZ

SUBJ: IRAQI OIL POLICY AND BPC

REF: BAGHDAD 166

1. SUMMARY: SOVIETS REPORTEDLY DISTURBED BY RECENT SPEECH OF MINPET HAMMADI WHICH ADVOCATED CLOSER TIES WITH INTERNATIONAL OIL COMPANIES AND CONSUMER COUNTRIES IN ORDER THAT PRODUCERS COULD BENEFIT FROM WESTERN TECHNOLOGY AND DEVELOP MORE RAPIDLY. SUCH PROPOSALS PROBABLY DO NOT YET REPRESENT GOI POLICY, BUT BPC AND OTHERS WILL HOPEFULLY PURSUE THEM. TO DO SO MIGHT REQUIRE MAJOR CHANGE IN CURRENT BPC POLICY WHICH SEEMS TO AIM AT MINIMIZING RISK BY AMORTIZING LARGE NEW INVESTMENTS IN LESS  
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THAN ONE YEAR. END SUMMARY.

2. COMMENTS MADE BY MINPET HAMMADI AT OPEC MEETING IN VIENNA ON MARCH 16 ON POSSIBLE FUTURE RELATIONSHIPS BETWEEN PRODUCING COUNTRIES AND INTERNATIONAL OIL COMPANIES HAVE ELICITED CONSIDERABLE INTEREST HERE. INDIAN EMBOFF TOLD ME THAT SOVIET EMBASSY IS PARTICULARLY DISTURBED BY THEIR IMPLICATIONS. ARABIC VERSION APPEARED IN ATH- THAWRA OF APRIL 25 ( TRANSLATED IN MEES OF MAY 18) AND AN ENGLISH VERSION IN INOC BULLETIN OF MAY 5. HAMMADI' S MAIN POINTS ARE:

( A) THERE SHOULD BE DIRECT LINK BETWEEN ECONOMIC DEVELOPMENT OF PRODUCING COUNTRIES AND INTERNATIONAL OIL COMPANIES AND CONSUMERS. AT PRESENT, PRODUCING COUNTRIES SUFFER FROM LIMITED ACCESS TO WESTERN TECHNOLOGY AND DISCRIMINATION AGAINST THEIR EXPORTS.

( B) WHETHER PRODUCING COUNTRY OPERATES WITH CONCESSIONS, JOINT VENTURES, OR NATIONAL OIL COMPANIES, LONG TERM PACKAGE DEALS COULD BE NEGOTIATED UNDER WHICH OIL COMPANIES OR OTHER PURCHASERS WOULD PLEDGE TO TAKE ON DEVELOPMENT AND INDUSTRIAL PROJECTS, ENCOURAGE DOWNSTREAM PARTICIPATION, AND GRANT ACCESS TO MARKETS OF INDUSTRIAL COUNTRIES.

( C) SUCH JOINT COMMITMENTS WOULD GIVE COMPANIES AND PRODUCING COUNTRIES SECURE ACCESS TO OIL AND INSURE PRODUCING COUNTRIES OF ADVANCED TECHNOLOGY AND ACCESS TO PREVIOUSLY RESTRICTED MARKETS.

3. COMMENT: HAMMADI' S REMARKS ARE DISTINCT DEPARTURE FROM USUAL IRAQI LINE ABOUT RAPACIOUS OIL COMPANIES AND IMPOSSIBILITY OF HAVING CONSTRUCTIVE RELATIONSHIP WITH THEM. REMARKS PROBABLY DO NOT REPRESENT OFFICIAL GOI POLICY, BUT ARE MORE IN NATURE OF TRIAL BALLOON SENT UP BY TECHNOCRATS OF WHICH HAMMADI ONE OF CHIEF SPOKESMEN. THEY SHOULD, IN ANY CASE, BE TAKEN SERIOUSLY. BPC REP PAWSON BELIEVES HAMMADI' S SPEECH MIGHT REPRESENT SOME HOPE FOR FUTURE AND PLANS TO DISCUSS IT WITH BPC MANAGING DIRECTOR STOCKWELL WHO ARRIVING HERE JUNE 1. ALTHOUGH PAWSON HAS NOT SAID SO EXPLICITLY, HE HAS GIVEN ME IMPRESSION THAT SOME BPC

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SHAREHOLDERS, PARTICULARLY AMERICANS, SEE NO FUTURE IN IRAQ AND WANT TO MINIMIZE RISKS. THIS VIEW SEEMS DOMINANT IN BPC AT THIS TIME AS EVIDENCED BY REMARKS OF PRODUCTION DIRECTOR GEORGE WEPSALA IN MARCH THAT BPC HAS WORKED OUT EXPANSION PLAN UNDER MARCH 1 SETTLEMENT SO THAT ITS 49 MILLION POUNDS INVESTMENT WILL BE AMORTIZED IN NINE MONTHS ( BAGHDAD 166) . WHILE SUCH A MINIMUM RISK STRATEGY WAS PROBABLY NECESSARY THREE

MONTHS AGO TO OBTAIN BPC DIRECTORS' APPROVAL FOR ANY NEW INVESTMENT IN IRAQ. IT IS STRATEGY THAT SEEMS DESTINED TO LEAD TO EARLY IRAQI TAKEOVER OF BPC. INOC WILL CERTAINLY REALIZE, IF IT DOES NOT ALREADY, HOW QUICKLY BPC'S INVESTMENT BEING AMORTIZED, AND EXTENT OF PROFITS TO FOLLOW. THIS WILL ALMOST CERTAINLY BE DISCUSSED DURING PARTICIPATION NEGOTIATIONS THIS YEAR.

4. EVENTS OF PAST THREE MONTHS, INCLUDING NEW IRAQI SELF-CONFIDENCE AND INDEPENDENCE, SUGGEST THAT IT MAY BE POSSIBLE FOR BPC AND OTHER WESTERN FIRMS TO NEGOTIATE NEW KIND OF ARRANGEMENT WITH IRAQ THAT WOULD HAVE BEEN UNTHINKABLE LAST YEAR AT THIS TIME. WHILE SOME IN BPC ARE APPARENTLY WILLING TO PURSUE THIS POSSIBILITY, AMERICAN PARTNERS, PARTICULARLY EXXON, WOULD REPORTEDLY NEED GREAT DEAL OF PERSUASION. I HOPE TO HAVE OPPORTUNITY TO TALK WITH STOCKWELL DURING HIS VISIT AND SEE HOW FAR HIS THINKING HAS GONE IN THIS DIRECTION.  
LOWRIE

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a  
\*\*\* Current Classification \*\*\* SECRET

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Copy:** SINGLE  
**Draft Date:** 26 MAY 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** willialc  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** RR  
**Errors:** n/a  
**Film Number:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** 73 BAGHDAD 166  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** willialc  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08-Aug-2001 by boyleja>; APPROVED <10-Oct-2001 by willialc>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> wfs 980318  
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**To:** BEIRUT  
JIDDA  
KUWAIT  
LONDON  
MOSCOW  
NEA  
PARIS

SECSTATE WASHDC

TEHRAN

**Type:** TE

**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005